

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 IO-10

DHA-02 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 /100 W

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P 070638Z JUL 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 9713

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FOLNG SENT NEW DELHI INFO BOMBAY AND CALCUTTA FROM MADRAS  
DTD 5 JULY.

QUOTE: MADRAS 0900

E.O. 11652: N/A

TAGS: EGEN, IN

SUBJECT: REACTION IN BUSINESS AND ECONOMIC CIRCLES  
TO MRS. GANDHI'S NEW ECONOMIC PROGRAM

REF: BOMBAY 1650

1. REACTIONS HERE ARE QUITE SIMILAR TO THOSE REPORTED  
BY BOMBAY. PRIVATELY AND PERSONALLY, ALMOST EVERY BUSINESSMAN  
REGRETS LOSS OF INDIVIDUAL FREEDOMS IN INDIA AND SEEMS  
EMBARRASSED THAT INDIA MAY BE FORFEITING CLAIM TO BE THE  
WORLD'S LARGEST DEMOCRACY. ALMOST ALL THE  
BUSINESSMEN WE TALK TO ALSO THINK THAT MRS. GANDHI HAS  
LOST HER MORAL AUTHORITY. FROM THE MORAL POINT OF VIEW,  
THEY WOULD HAVE PREFERRED THAT SHE STEP DOWN, BE EXONERATED,  
AND THEN COME BACK STRONGER THAN EVER THROUGH DEMOCRATIC  
PROCESSES. ON THE OTHER HAND, OBSERVERS DOUBT THAT SHE  
COULD BE SURE OF RETURNING TO POWER ONCE SHE STEPPED  
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DOWN. WHETHER OR NOT THEY DISAPPROVE FROM A MORAL POINT

OF VIEW, NO ONE SEEMS TO HAVE ANY DESIRE TO SPEAK OUT PUBLICLY AGAINST MRS. GANDHI OR TRY TO OPPOSE HER ACTIVELY. MOST SIMPLY COMMENT WITH SOME AWE AT HOW STRONG HER GRIP ON INDIA HAS BECOME, AT HOW WELL SHE HAS ORGANIZED THE FORCES THAT ENABLE HER NOW TO RUN THINGS AS SHE PLEASES. FEW THINK THERE WAS ANY VIABLE ALTERNATIVE LEADER TO MRS. GANDHI. THEY ARGUE THE NEAR IMPOSSIBILITY OF TRYING TO GET ANYTHING DONE TO IMPROVE THE ECONOMY IN THE FACE OF THE CHAOTIC OPPOSITION THAT DEMOCRATIC FREEDOM PERMITTED. THEY WANT MRS. GANDHI TO LEAD THEIR COUNTRY, BUT THEY ARE SORRY SHE HAD TO TAKE THE STEPS SHE DID IN ORDER TO DO SO.

2. FEW BUSINESSMEN OR ECONOMIC OFFICIALS WE HAVE TALKED TO THINK MRS. GANDHI WILL ENACT MEASURES, LIKE NATIONALIZATION, DIRECTED AGAINST BUSINESS INTERESTS. THEY THINK SHE HAS DECIDED IT IS MORE IMPORTANT FROM THE POINT OF CONSOLIDATING HER POLITICAL POWER TO TAKE DRAMATIC ACTIONS THAT WOULD POSITIVELY BENEFIT THE POORER SECTIONS OF SOCIETY RATHER THAN TO STRIKE NEGATIVE BLOWS AT THE RICH AND THE BIG WHICH COULD AT BEST PROVIDE THE POOR WITH INDIRECT EMOTIONAL SATISFACTION AND WOULD DO NOTHING FOR THEIR POCKET BOOKS. MOREOVER, THEY ARE QUITE CERTAIN THAT THE GOI BUREAUCRACY KNOWS THE LAST THING IT NEEDS NOW IS THE HEADACHE OF TRYING TO RUN MORE NATIONALIZED INDUSTRIES. THE 106 "SICK" TEXTILE MILLS NOW IN THE HANDS OF THE CENTER HAVE BEEN A GOOD LESSON. BUSINESSMEN ARE ALSO, AFTER THE FIRST APPREHENSIVE MOMENTS, BEGINNING TO FEEL THAT MRS. GANDHI KNOWS THE COUNTRY NEEDS A DOSE OF ECONOMIC REALITY AND MUST BOOST PRODUCTION. THEY ARE GAINING CONFIDENCE THAT SHE MAY WELL USE HER IMPRESSIVE NEW POWERS FOR THEIR BENEFIT RATHER THAN TO THEIR DISADVANTAGE, PARTICULARLY IF THEY GIVE HER THEIR ACTIVE SUPPORT. A FEW HAVE TERMED THE NEW MEASURES OLD-HAT AND COSMETIC EYEWASH AND NOTED THE LACK OF ANY REFORM IN AGRICULTURE, BUT THIS ATTITUDE SEEMS LESS CHARACTERISTIC THAN ONE OF GUARDED APPROVAL.

3. LABOR HAS BEEN VERY QUIET HERE AND SEEMS TO HAVE GONE ALONG WITH MRS. GANDHI'S MOVES. OBSERVERS FEEL THAT THE PRESSURES OF ECONOMIC RECESSION HAVE BEEN KEEPING LIMITED OFFICIAL USE

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STRIKES TO A MINIMUM, AND THE EMERGENCY REALLY HASN'T CHANGED THIS. MOREOVER, UNIONIZED LABOR IS MIDDLE CLASS ECONOMICALLY SPEAKING, AND WILL BENEFIT FROM THE INCOME TAX RELIEF MEASURES MRS. GANDHI HAS ANNOUNCED.

4. THREE LEADERS IN THE BUSINESS COMMUNITY MADE THE INTERESTING COMMENT IN CONVERSATION WITH CONGEN OFFICERS THAT THEY BELIEVE MRS. GANDHI'S LEADING ADVISERS IN FORMULATING HER NEW ECONOMIC

POLICIES HAVE BEEN RAJNI PAL HHARASHTRA CONGRESS LEADER,  
AND CHIEF MINISTER RAY OF BENGAL. THEY POINTEDLY REMARKED  
THAT IT WAS NOT JAG JIVAN RAM. THEY ALSO SPECULATED  
THAT Y.T. SHAH HAD BEEN REMOVED AS GOI COMMERCE  
SECRETARY BECAUSE LONG AGO HE HAD BEEN TOO CLOSE TO  
MORARJI DESAI, AND HIS LOYALTY WAS THEREFORE CONSIDERED  
SUSPECT NOW.  
EAVES UNQUOTE.  
SAXBE

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## Message Attributes

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